

UNEMPLOYMENT INSURANCE ADVISORY COUNCIL MEETING
Thursday February 17, 2011 – 9:30 A.M.
Department of Workforce Development
Room D203
201 East Washington Avenue
Madison, Wisconsin

Individuals Present:

Management: James Buchen, Dan Petersen, Ed Lump and Earl Gustafson

Labor: Dennis Penkalski, Patricia Yunk and Sally Feistel

Chair: Dan LaRocque

Department Staff: Andrea Reid, Georgia Maxwell, William Witter, Robert Junceau, Tom McHugh, Pam James, Ramon Natera, Shashank Partha, Troy Sterr, Timara Budack, Lutfi Shahrani, Amy Banicki, Jason Schunk, Emily Savard, Ben Peirce, Cathy Sill, Pam Neumann, Sandy Connors and Robin Gallagher.

Others Present: Tracey Schwalbe (General Counsel-LIRC), Bill Smith (NFIB), Brian Dake (WI Independent Businesses), John Metcalf (WI Manufacturers and Commerce), Victor Forberger (Attorney-WI UI Clinic) and Bob Andersen (Legal Action of Wisconsin).

10:00 a.m.

MINUTES

1. Opening remarks – Mr. LaRocque calls the meeting to order at 10:00 a.m. and introduces Andrea Reid, Acting Division Administrator for the Unemployment Insurance Division. The Division has recently lost about 19 staff who chose to retire from state service, including several section chiefs.

2. June 2, 2010 Minutes Motion (Penkalski), second (Petersen) to approve minutes of June 2, 2010, approved by voice vote, ayes 7 no 0.

3. Reports

Federal Legislation of 2010

Mr. LaRocque briefly describes Federal Tax Relief Act for 2010, which extends the federal extended unemployment benefits to January 2012. Emergency Unemployment Compensation (“EUC”) is part of the extended benefit stream. EUC pays benefits after 26 weeks of regular unemployment compensation for 47 weeks, a total of 73 weeks. The Tax Relief Act specifically provides for payment of 13 additional weeks of Extended Benefits (EB) under the 1970 Extended Benefit program. The federal government pays 100% of the cost of the extension with some exceptions. The additional EUC is in place without state legislative action. EB is also in place

without state legislation. However, as explained later in the meeting, the Tax Relief Act allows states to elect to create a trigger that would extend EB benefit payments in 2011 that will otherwise be lost.

Benefits Report

Mr. Shahrani delivers a report on Benefit Operations. 2010 was just as active and busy as 2009. Benefits processed over 1 million initial claims, 12 million weekly claims, issued over 311,000 adjudication decisions, established \$78 million in overpayments and assessed over \$40 million in forfeiture penalties. Several law changes and federal extension program changes were implemented.

Managerial vacancies were filled replacing the loss of veteran staff. Benefits added a facility to house additional staff and moved the Appleton Adjudication Center to a new facility, participated in 2,843 reemployment eligibility assessments for recipients w/ Job Service, hired 4 LTE consultants to help in investigation of fraud, added a supervisory position to supervise Program Integrity staff. Issued 444,792 notices or decisions concerning whether a claimant has the requisite wages to qualify for benefits. Staffing levels in adjudication were maintained with replacements being hired as required; presently there are 144 permanent adjudication staff, 47 project staff and 8 limited term employees.

Due to the high volume of claims, adjudication timeliness continues to suffer, although there was some improvement and delays having been up to 6 weeks are now down to 4 weeks. Adjudications are now assigned within a week to 10 days from the detection date.

Benefits conducted rapid responses/TRA sessions for 123 different employers, scheduling 12,498 clients, answered 1.2 million telephone claims and 100,000 other types of inquiries. Mailed 121,604 letters to claimants indicating they had exhausted their benefit program claims. Paid \$2.6 million in benefits to 792 individuals participating in Extended Training (ET). Continued to meet first pay timeliness (USDOL 87% in 21 days and 93% in 35 days), Wisconsin being at 87% in 21 days, 94% in 35 days. In non automated claims: 35,803 cases completed, 16,409 appeal tribunal decisions and LIRC decisions issued, 25,193 overpayments processed, 2,051 requests for 200 holds processed, 66,904 claims from the UCB-37's check-writing list reviewed, 8,745 combined wage claims processed, 6,977 TRA basic monetaries established, 3,359 requests for wages to be transferred to another state processed and 21,500 charges for the interstate billing process keyed in.

Annual Report of Detection and Prosecution for Fraud.

Mr. Shahrani summarized the Annual Report on the Detection and Prosecution of Fraud. Between 2008 and 2010, the number of cases involving overpayments increased 130%, the average overpayment increased 61% and the overpayment total almost tripled, increasing by 270% (\$78,838,662 in 2010 vs. \$21,330,840 in 2008). Between 2007 and 2010 the number of UCB-38's increased over 52%, overpayment amounts increased by over 82%, and the average overpayment increased by about 20% (19.8%). The wage discrepancy overpayment notice, UCB-37, is generated if wages are underreported by the claimant. The overpayment amount established in 2007 for underreporting of wages was \$5,396,846. The overpayment amount for 2010 was \$13,722,701, a 154% increase. Fraud cases involving overpayments of more than \$1000 where

intentional concealment is found increased from \$9,250,012 in 2007 to \$40,509,958 in 2010, a 338% increase.

Fraud cases involving overpayments of \$5000 or more and at least 5 acts of concealment can be referred for prosecution. In 2010, 2,169 cases met the initial prosecution criteria, 31 cases were referred for prosecution and 11 convictions were obtained. There are 117 cases pending with the Department of Justice and local district attorneys. 17 cases have been refused by district attorneys. There are 60 bench warrants pending.

Wisconsin exceeds the USDOL standard (50%) for establishing fraud and non fraud overpayments. Wisconsin's average overpayments are running at an annualized percentage of 56.51%. The national average is 55.3%. Wisconsin meets the USDOL standard that states recover 50% of all fraud and non fraud overpayments established. Wisconsin has achieved or exceeded this standard the last 3 years. Program integrity is high priority and must improve its use of automated systems, provide training to improve the quality of fraud investigations and increase the number of prosecutions.

Mr. Gustafson asks how the imposter situation works and indicates he is not seeing why that situation is not fairly easy to detect. Mr. Shahrani gives a specific example where a neighbor or roommate obtains a claimant's PIN and social security number and after two weeks reopens the claim and changes the address. Several months later the department receives a wage report from an employer saying the claimant was working and when asked, the claimant denies filing claims after the first two weeks.

Mr. Gustafson asks whether the department goes back to the employer to reverify that the employee is working. Mr. Shahrani replies that the department does so and cites another example of an illegal alien who steals an identity and works for several employers, on layoff from an employer. That employer may or may not know that worker is out of work or that that the worker is not authorized.

Mr. Gustafson remarks that it seems like a way to get away with a few checks but then back out of it. He indicates he is not connecting all of the dots but does not want to take up the time of the Council. Mr. LaRocque explains that employers that don't respond to wage information are more vulnerable to fraud.

Mr. Buchen asks about recovery of fraud overpayments and the percentage recovered rate, which he indicates was remarkably high in 2007 and then tails off in future years. Mr. Buchen comments that the recovery rate is initially low because it takes a couple years to recover forfeiture amounts and refers to the charts in the report; one is non-fraud overpayments and the other fraud overpayments. Mr. Shahrani explains that recovery is through offset of future benefit claims and when recovery is made depends not on the number of years but rather when the future benefit claim is filed. Ms. Reid adds the lower percentages in the most recent years are in part also due to the increased volume. The division continues to improve on trying to collect on fraud and is adding 6-9 collector positions to pursue overpayments.

Mr. Penkalski asks if the statute of limitations is 7 years. Mr. Shahrani explains commencing at the time the forfeiture becomes recoverable, the statute of limitations is 6 years. Mr. Penkalski points out the recovery for the last 2 years should go up as a percentage, for example, for 2008 and 2009.

Mr. Shahrani explains that forfeitures gradually come back into the trust fund as new benefit claims are filed and the window to collect the forfeiture amounts is sufficient.

Mr. Buchen asks, initially you stated there were 1 million initial claims filed. Mr. Shahrani indicates 1.06 million initial claims were filed. Mr. Buchen says he is surprised by that and asks if there is a way of determining how many individuals were unemployed. Mr. Shahrani replies there were 503,836 distinct claimants and 11,389,000 separate weeks paid.

Mr. LaRocque asks for comments about report. There are none. Mr. Shahrani indicates he is available to respond to any questions members of the Council may have.

Benefits Appeals Report

Mr. LaRocque delivers a report on benefit appeals. The department has had to deal with a large volume of appeals and by early 2010 had a substantial backlog. A two-page report, consisting of a line-graph and a data chart, is provided to Council members and others. The second page of the report, a graph, shows the dramatic increase in appeals over 2009 – 2010. The backlog peaked in March of 2010 at about 6,900 benefit appeal cases awaiting hearing. The result was a 12 -15 week wait for a hearing, resulting in larger overpayments and increasing the financial burden on employers as well.

At the end of 2009 we suffered unexpected retirements in UI administrative law judge (ALJ) positions. The department filled ALJ positions, beginning in the fall of 2009 and throughout 2010, filling 12 vacant positions in 2010. No new positions were added.

The department took steps increase work assigned to ALJs. The chart shows year-end average weekly work assignments. In 2009 and 2010 the Bureau increased the workload for administrative law judges in a series of steps, in increments equivalent to a 10% increase with each step; and in July 2010 raised it another 13 %. We increased the year end average as shown in the report from about 18 hearings per week (year-end 2008) to more than 27 hearings per week (year-end 2010) and have maintained this level since. Those increases cumulatively represent a 50% increase in the level of work for each ALJ.

For our support staff, they too have had to work much harder to keep up with the higher rate of scheduling and customer calls and in-person service in the hearing offices. These staff have done their part very well and without complaint. It is consistently stressful to deal with our customers.

We met with the attorneys association in a series of meetings before the last increase and communicated with them on prior increases. The ALJs have accomplished a great deal of work with relatively little complaint and while maintaining high quality. The work is stressful. We are in the mainstream with other states as far as the workload is concerned. However, as we do things here in Wisconsin it can be more difficult.

The backlog in March 2010 was 6,900 cases. At year end 2010 there were 4,450 cases pending, and as of last week 3,400. We lost some ALJs to transfers and retirements in December, January and this month. By mid-year we will be caught up and appeals will be scheduled 2-3 weeks out. At that point, we expect to have enough staff even if we do not fill the vacancies.

Ms. Yunk asks how many administrative law judges are there currently. Mr. LaRocque replies, 33.5 fulltime equivalent positions, about 27 of which are filled. Ms. Yunk asks what was the percentage of claims or the ratio of appeals for each working administrative law judge. Mr. LaRocque indicates we moved from 18.6 hearings up to 28.3 hearings from 2008 to 2010, as indicated on the chart. That is the best measure we have of output and workload assigned to ALJs.

Mr. Gustafson asks what is a short hearing, what is a long hearing. Mr. LaRocque explains data collected concerning workload in 2009 showed 37 minutes long was average hearing time, including dismissals and some of the cases withdrawn late. About 80 to 90% of all hearings were done within 60 minutes. Mr. Gustafson asks about time for preparation. Mr. LaRocque says the evidence on that is anecdotal but that the time is certainly less than the time for holding a hearing or writing a decision. A skilled ALJ takes the file, looks at it and does the hearing. In some cases the ALJs review the file the week before and arrange for help to complete the file for the hearing.

Biennial Reports to Governor and Legislative Leaders

Mr. LaRocque indicates the reports were sent to the Governor and also to members of the Council on-line and delivered to all Legislators. The content of the Reports are self explanatory and are presented for review and questions, if any. Mr. LaRocque noted that Dick Tillema retired at end of December and that his staff retired as well with little notice but volunteered time unpaid to put the reports together. Mr. Buchen asks if there is someone to replace Mr. Tillema and his staff. Ms. Reid mentions two new staff persons have been already assigned and Mr. LaRocque introduces Ben Peirce, Bureau Director, who describes the new Bureau of Management and Information Services. Mr. Buchen asks are you going to have someone dedicated to Tillema's work. Mr. Peirce responds that a four person team will establish a data warehouse for that purpose.

Tax Collection and Reserve Fund Financial Statements

Mr. McHugh explains that in addition to the annual CAFR audit, which is required of all state agencies, UI requests a biennial UI financial audit. This audit focuses on the UI accounting system and financial statements and ensures that the financial statements present fairly according to GAAP the financial position of Wisconsin Unemployment Insurance. Legislative Audit Bureau has issued a clean opinion on UI's financial records for FY 2010. The handout is marked on each page by letters. The UI Balance Sheet starts on page 1.

Assets. Mr. McHugh continues: Beginning on page 1. "A:" Interest is being assessed on a daily basis and is due on September 30, 2011. Last year we did not borrow from April 1 through September 30 because we had enough money from our quarterly tax collections. At the end of the year we took the remaining amount of \$123 million and paid down the loan before interest started accruing. This year we are paying down the loan daily since interest is assessed on our daily balance. As a result, each day, we are able to borrow exactly what we need or, in the case of a collection quarter, to pay back the loan with tax receipts. The loan principal fluctuates daily. Mr. Petersen asks if the interest rate on the Trust Fund accounts is based on a 30 year Treasury bond. Mr. McHugh replies, no, it is based on the prior year 4th quarter percentage yield in the federal Unemployment Trust Fund. Receipts to the federal Unemployment Trust Fund are invested in special issue Treasuries and Certificates of Indebtedness. The Trust Fund interest rate is based on the return of those investments.

“B.” Benefit overpayment receivables are at \$91 million, about \$59 million in fraud and \$32 million in non fraud, a 63% increase from December 2009 to December 2010.

Liabilities and Equity. Page 1. “C.” shows our outstanding loan balance at \$1.4 billion.

Mr. McHugh indicates the Receipts and Disbursements Statement begins on page 2.

Receipts. Page 2. “A.” upper right hand corner shows revenue we received from employer tax receipts. In 2010 we moved to the highest rate table, Table A. Receipts from the basic portion of the tax were \$578 million a 22% increase over 2009 when receipts totaled \$473 billion. Receipts from the Solvency portion of the tax are at \$278 million for 2010, a 75% increase over the receipts for 2009 of \$159 million. Employers are paying more solvency tax from the switch to Tax Table A in 2010, in particular employers with a positive reserve fund balance. The solvency rate did not change for negative balance employers when switching from Table B to Table A.

Page 2. “B.” Federal program receipts increased in 2010 from the prior year, \$1.3 million to \$1.7 million.

Page 2. “C.” Federal loans, we borrowed \$502 million in 2010 compared to 2009 when we borrowed \$1.2 billion.

Disbursements. Page 2. “D.” Charges to taxable employers were at \$1.2 billion for 2010, 1.6 billion the year before.

Page 2. “E.” Quits are way down, \$85 million for 2010, and \$167 million for 2009. Charges to the fund have decreased as charges for federal programs have increased.

Page 2. “F” Shows disbursements for federal employees at \$6.1 million in 2010, 4.9 million in 2009 and ex military, which has doubled, \$20 million in 2010 versus \$10.3 million in 2009.

Page 2. “G.” shows the federal extensions which have drastically increased, the largest being Federal Emergency UI (EUC) from \$820 million in 2009 versus \$1.3 billion in 2010.

Page 2. “H.” Federal Loan Repayments \$237 million in 2009, \$23.9 million in 2010, which we repaid to the lowest loan balance before interest started accruing on January 1, 2011. Total disbursements for 2010 were \$3.1 billion

Mr. Buchen says interest is assessed as we determine the amount needed and assessed on all employers and it's a flat tax. Mr. McHugh indicates reimbursable employers are assessed at 75% of that rate. There are 3,845 reimbursable employers. Mr. Buchen asks if we take the taxable employment number, about 2.3 million workers and divide into 48 million, we get \$20 per worker. Mr. McHugh replies that would be roughly what it is. Mr. Lump asks is it correct that 3 million workers, or one out of six are collecting unemployment insurance? Mr. McHugh replies that 500,000 1099's were sent out. Mr. Lump says the number then might be lower. Mr. McHugh says we used 500,000 divided by 3 million workers which are 1 out of 6 workers. 3 million includes both employed and unemployed workers.

Mr. LaRocque introduces Georgia Maxwell, DWD Executive Assistant.

Balancing Account Summary. Page 3. “A.” Other Increases shows 10% write off. The write off in 2010 was \$498 million and is included in the balance. The 10% write off shifts employer benefit charges to the balancing account but does not affect receivables. “B.” shows the account is at a negative \$1.46 billion. Mr. Buchen indicates somewhere in the report he saw that employer accounts were positive and all of the problems are in the balancing account. Mr. McHugh replies the employer accounts are positive because of the write off, but otherwise negative. The balance sheet (page 1) under Equity shows a positive employer reserve fund balance of \$138.7 million. This is the total reserve fund balances for all taxable employers.

Mr. McHugh indicates he has no update on pages 4 or 5. Page 6 is a graph of 1099 payments the past two years. The blue shows what the UI Trust Fund paid out, the purple what the federal government paid. We are almost paying out the same amount, but the federal government is paying a greater share of the costs in 2010 because of the extensions. Page 7 shows the funds ending balance and shows funds change since 2000.

Mr. Buchen says what you all have managed here during the course of the recession is quite remarkable. The workload that has increased on all of you has been handled remarkably well with few complaints that we get and I don't know what it has been like for those of you on the benefit-labor side but it seems we have weathered the storm remarkably well. Mr. Lump agrees and says he likes the presentation. Mr. Gustafson indicates that unfortunately you're not getting the recognition in the media. He then asks how many of the checks that go out, how many were of hard paper versus direct deposit. Mr. McHugh indicates 48 or 49% were direct deposit and we have a debit card contract coming on line also. Mr. Reid indicates that we put out so many documents and letters that the paper industry should be in good shape for a long time. Ms. Yunk asks how we choose US Bank. Do we put it out for bid? When was the last time you did that? Mr. McHugh indicates just last year. Ms. Yunk says that's too bad, US Bank just moved 54 jobs out of state. Mr. Penkalski asks if there is any chance the federal interest will be free this year at all. Mr. LaRocque replies in the affirmative and says we'll talk about that in just a moment.

Mr. LaRocque moves item 5 and 6 up on the agenda and indicates that items 4, 5 and 6 are the department's technical advice to the Council and are not department proposals.

Amend Employer Assessment for Interest Payment.

Ms. James reports the amendment of the assessment for interest payment has four parts to it. The first would eliminate assessment of reimbursable employers. That shifts \$11 million of the \$60 million assessment from 2,377 reimbursable employers to taxable employers. The second replaces the flat tax (.025%) on taxable payroll with a progressive rate schedule with a suggested range of .05% to .50%. The rationale for this is that employers would be charged for the interest on the debt on a basis proportional to their share of the deficit. The third repeals the threshold for assessment of \$25,000 payroll amount, and replaces it with a minimum assessment bill of \$10. The reason for this amendment is to avoid sending small bills. Under current law 38,866 employers are not assessed. Under the amendment this would spread the assessments to more employers. Under current law, 38,866 employers are not assessed, of which 18,130 employers are negative balance employers. The fourth item creates a special assessment account. This is a segregated fund from the Interest and Penalties account. The amendment also provides for carry over of excess funds to be applied to subsequent year's interest assessments. Mr. Buchen asks under the progressive rate

proposal, how would it be structured. Ms. James indicates .05% to .50% times the taxable wage base.

Ms. Yunk asks where these came from. Mr. LaRoque indicates the department worked up the amendment. Ms. Reid adds that back in the 1980's a similar fund was created and at that time reimbursable employers were assessed. Mr. McHugh mentions that most states do establish a special account. Mr. Petersen asks is there a proposed schedule for the range. Ms. James replies there is a proposed schedule which is based on the so-called "AA schedule" prepared last year, which was designed to generate \$300 million in additional taxes. The proposed schedule for the interest assessment divides this by 5 to generate the necessary \$60 million. Mr. Petersen asks whether if our account is at the maximum experience rating whether we would go from .25% to .50% under this proposal. Ms. James answers yes.

Mr. LaRocque explains that the President's budget proposal would delay interest payback 2 years. The federal government would forego accrual of interest in 2011 and 2012 and begin accrual in 2013. The same budget proposal would defer the FUTA tax credit reduction for two more years. In other words the federal budget proposal would delay the increase in federal tax liability required under current law.

In response to a question from Mr. Buchen about changes to the tax code, the budget proposal will raise the federal wage base to \$15,000. Our wage base is scheduled to increase to \$14,000 in 2013 under current Wisconsin law. The federal wage base increase to \$15,000 is proposed for 2014. Our wage base would increase to match the \$15,000 in 2014 if the federal proposal were enacted.

Ms. Yunk asks what state has the highest taxable wage base and what the average is. Mr. Buchen and others respond ours is one of the lower ones. [Hawaii has the highest wage base, \$38,800, followed by the State of Washington, with \$36,800.]

Mr. LaRocque, referring to the employer assessment, points out that communications will need to be done to the employer community and their agents. Mr. Buchen replies we would have to pass a bill soon if changes are to be made. Ms. James, explains we would send the assessment in July, with a due date in mid September, so we can make payment which is due on September 30, 2011.

Ms. Feistel says that an assessment is going to make it much more difficult for the employers that are already struggling. To increase it to .25% given the recession we are in may not be advisable.

Mr. Gustafson says he can see both sides of it, but even at a low tax rate this change is significant. Mr. Buchen suggests creating a range for rates not as dynamic as this one.

Mr. LaRocque says the timing does concern us. We do not know when we will know whether there will be federal relief; we will have to act before the feds.

Ms. Reid states that communication with the employers is one issue. If we do nothing, there will be an assessment. Mr. Buchen says if we tell an employer there will be an assessment and a September payment, and Congress does act to waive the interest that could be a problem.

Ms. James indicates the interest assessment fund is segregated and we can earn interest on that money. An amendment to the statute could allow carryover of the money collected to be applied

to a future year's interest. Another timing consideration is that we have data programming to do as well, which we would like to start no later than April to meet the deadline. The assessment is based on interest accruing in calendar year 2010. Most of the data is there by employer; however, we have not run estimates yet for employers who have not filed tax reports for the fourth quarter of 2010. The \$10 million shift is an estimated amount, which could change.

Amend Treasury Offset to Allow Recovery from IRS of Non-Fraud Overpayments

Ms. James explains the Treasury Offset program. Current law allows the department to recover overpayments due to fraud by offset against federal tax refunds or other sums paid by the US Treasury. The amendment would extend the department's authority to recover non-fraud overpayments resulting from misrepresented wages. This would be where proof of intent to conceal work or wages is lacking. Mr. Shahrani gives a brief description of non fraud overpayment determinations in response to questions. Ms. James indicates that with this change the department would be able to certify an additional \$5.9 million for recovery by offset.

Amend Triggers for Extended Benefits.

Mr. Peirce explains a possible amendment to the extended benefit program. Without the legislation, the department projects that EB payments will end in April or May 2011. States can modify the law to extend benefits as shown on the charts on pages 2 and 3. Chart 2 shows the economic impact. Chart 3 indicates the proportion of the cost to contributing and reimbursable employers. Contributing employer participation affects the Reserve Fund, reimbursable employer participation does not. If we are to continue the EB benefits program beyond April or May, a state statutory change is necessary.

Mr. Lump asks what will happen if we don't extend EB. Mr. Peirce indicates that with the February or March 2011 report, we will no longer meet the criteria so mid-April or May. As a result, EB payments will end at that time.

Ms. Yunk indicates she understands that the federal law allows state to reconfigure the triggers which allows us to access federal monies. There are no state funds involved, is that correct? The cost of some benefits, approximately \$1.1 million of the estimated \$89 million in benefits, would be born by Wisconsin employers (state and local governments and Indian Tribes) and not paid by the federal government. These figures are show on the charts provided to the Council.

Mr. Peirce explains what the trigger does in effect and indicates the trigger only affects payments in 2011 which dissolves at the end of the year. Ms. Yunk says she would like to make a motion that we do this. It makes no sense to cut off our nose to spite our face and not extend benefits and pour this money into the state's economy. Mr. Buchen not prepared to vote today.

Absent this program, claimants receive up to 73 weeks of benefits. The change would assure weeks 74 through 86 remain on in the last 8 to 9 months or so of 2011.

Ms. Feistel points out that we have one of six persons unemployed in the state and we are proposing to cut their benefit payments from 86 to 73 weeks if we do nothing. And if we are not scheduled to meet for a while, when we would address this?

Mr. LaRocque asks about scheduling future meetings. It is agreed that the Council will meet each third Thursday of the month. The next meeting is scheduled for March 17, 2011.

No action taken on the motion.

Reserve Fund Solvency

Ms. James explains that in 2009 we reviewed three options; allow FUTA credit reduction to address solvency, adopt a Schedule AA to raise additional \$300 million revenue annually and, an array system.

Ms. James highlights the strengths of the array system. It allows for economic growth while taxes under the current system are approximately \$1.1 billion. It is responsive to economic changes, yet impacts of sudden changes are smoothed. Under the array method, the tax rate is tied to a five-year average benefit and also tied to the health of the trust fund with a benefit adjustment factor. The array method also enhances experience rating.

Ms. James reviews the decisions needed on the interest assessment, what steps should be taken to address solvency and asks what the Council would like for the next meeting. Mr. Buchen asks that the department look at the fiscal impact of a schedule similar to AA, with no overall rate change, but a dramatic shift of rates from the basic rates to solvency rates.

Mr. Penkalski asks that we review the numbers from the previously discussed options which we haven't considered for 8 or 9 months... These options included the FUTA credit reduction only, Schedule AA and the array system. Ms. Yunk agrees and asks for a recap; in particular the dollar amounts and what captured the most money. Ms. James indicates the other piece which would be helpful from the Advisory Council, is for them to provide the department with targets of where we want to be 3 to 5 years from now. From there the department could provide various options to reach such targets.

Mr. LaRocque explains that Dick Tillema, who prepared fund projections and fiscal analyses in the past retired in December. His two staff also elected retirement at the same time. Each of them graciously agreed to return and did so gratuitously in the first week of 2011 and assisted with transition and the completion of the fund projection.

Ben Peirce is the Director of the newly-created Bureau of Management Information Services in the UI Division. Mr. Peirce introduces himself and explains that the new Bureau will provide data analysis and fiscal work in support of the Council's activities.

Mr. LaRocque introduces William M. Witter, who recently accepted a position as UI Attorney and Robert Junceau an administrative law judge helping on a temporary basis.

Mr. LaRocque reports that more than 100 emails from the workers have been received. The emails offer comments on the unemployment program. Most are from employees who have been claimants. The emails have been compiled and are available to the Council along with other correspondence regarding the program. Ms. Yunk makes a motion to place these emails on file so that they become part of the record and identify any issues that need to be placed on the agenda so

we can address it. Mr. LaRocque will take the responsibility to address the issues. A summary of the issues raised will be prepared for the Council.

Ms. Yunk's motion is seconded by Mr. Buchen and Mr. Penkalski and approved by voice vote, ayes 7, no 0.

Mr. LaRocque then discusses letters in the packet, specifically the letter concerning firefighters and the request that salaries for individuals such as the fire chief be viewed for unemployment insurance purposes as wages for volunteer firefighting. The other letters are more straightforward. Mr. Gustafson asks about and Mr. LaRocque explains the department's policy on wages for volunteer firefighting and mentions that the attorney's most recent letter on behalf of his client, the fire company, may be asking not that we change the law, but rather that the department interpret it correctly. In regard to each matter, the department will respond and provide analysis for the Council of the issues raised.

Motion Yunk, second Lump to adjourn, approved by voice vote, ayes 7 no 0.